

THE MANUFACTURING COUNCIL

DOC Building  
14th & Constitution Avenue. N.W.  
Washington, DC

Wednesday,  
July 23, 2008

The meeting was convened, pursuant to notice,  
at 2:12 p.m., MR. FRED KELLER, Chairman, presiding.

APPEARANCES:

MEMBERS OF THE BOARD

MR. FRED KELLER  
Cascade Engineering

MS. KELLIE JOHNSON  
ACE Clearwater Enterprises

MR. HARDING STOWE  
R.L. Stowe Mills, Inc.

MR. DANIEL DiMICCO  
Nucor Corporation

MR. PETER KAMENSTEIN  
Kamenstein, a Division of  
Lifetime Brands Corp.

MR. JASON SPEER  
Quality Float Works, Inc.

MR. HARDING STOWE  
R.L. Stowe Mills, Inc.

DR. DEAN BARTLES  
General Dynamics Corporation

MR. DANIEL HOLMES, JR.  
Morrison Products, Inc.

ALSO PRESENT:

HON. CARLOS GUTIERREZ  
Secretary of Commerce

HON. WILLIAM G. SUTTON  
Assistant Secretary or Manufacturing and  
Services

GOVERNOR JOHN ENGLER

HON. AL FRINK

JAMIE ESTRADA

MR. MATT HOWARD

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P R O C E E D I N G S

MEETING CALLED TO ORDER

CHAIRMAN KELLER: I call the meeting of the Manufacturing Council to order.

I'd like to comment that we've got important work to do today. I want to acknowledge the efforts of everyone to be here. It's not easy. We have to come from all parts of the country. I know that Kellie came all the way from California, right? And I'm especially grateful to have the Secretary joining us a little later. He'll be here, maybe sometime.

I want to acknowledge our very first Assistant Secretary, Al Frink. Thank you for coming, Al, and for being here.

ASSISTANT SECRETARY FRINK: Pleasure to be here.

CHAIRMAN KELLER: We're delighted to have you here. And, of course, we have our Assistant Secretary for Manufacturing & Services, Woody, here, our number-two Assistant Secretary. We are very pleased to have you leading this Council or leading this effort. We are a council advisor, I guess. Is that right?

ASSISTANT SECRETARY SUTTON: Right.

CHAIRMAN KELLER: We have Matt Howard here today. Thank you for coming, Matt. Jamie, Deputy

1 Assistant Secretary. Thank you. And others of  
2 interest to the organization, thank you for being here.  
3 We also want to thank our organizers, Kate and  
4 Caroline, for helping us be an effective organization.

5 We have members of the public and other  
6 interested parties here. We thank you for being here.  
7 We are being recorded. Maybe this will go out to the  
8 world. I don't know if it'll go out to the world or  
9 not, but what we say is important and we look forward  
10 to this day.

11 This Council has been meeting since June of  
12 2004, and we've been writing letters to the Secretary  
13 on many different issues: workforce development, health  
14 care, and tort reform, among others. Last year we  
15 focused on energy. It turned out to be -- thank you  
16 for being here. I was just saying thank you for being  
17 here.

18 SECRETARY GUTIERREZ: A pleasure. A pleasure.  
19 Am I on time here?

20 CHAIRMAN KELLER: You are absolutely on time.

21 We wrote a letter in November of 2007 that  
22 expanded and reiterated that letter, as we talked about  
23 energy as being a very important issue. We've been  
24 dealing with that now for a little over a year, and it  
25 turns out we were a little pathetic in our interests in

1       that regard. Six months ago we considered scenarios  
2       where it would be, gosh, unthinkable to have oil go  
3       above \$130 a barrel, and now we're relieved it's down  
4       to \$126. So, it is something that has proved to be  
5       very important to us, and continues to be important to  
6       us.

7               The Council last met via teleconference in  
8       June, June 27th. During the call, the Council received  
9       initial briefings on the Manufacturing 2040 and on the  
10      Sustainable Manufacturing Initiative.

11             Woody Sutton, our executive director of the  
12      Council, has created, with the Secretary's approval,  
13      the Council subcommittees and he will have those chairs  
14      established very soon.

15             So we have had a series of briefings today on  
16      Manufacturing 2040 and Sustainable Manufacturing, and  
17      we're going to hear from members of the subcommittees  
18      on their findings from today.

SWEARING IN OF NEW MEMBERS

CHAIRMAN KELLER: I think, first, there have been several members that have not been sworn in. You may have the opportunity to swear in three of our members, at least.

Welcome, Governor Engler. Thank you for being here.

SECRETARY GUTIERREZ: Okay. If I could ask Peter Kamenstein, Jason Speer, and Dan Holmes to join me for a ceremony.

(Whereupon, the new Council members were duly sworn.)

(Applause)

CHAIRMAN KELLER: I believe that at this time, if you'd like to make a few remarks, we certainly would love to have you do that.

REMARKS

By Secretary Carlos Gutierrez

SECRETARY GUTIERREZ: Thank you. Thank you very much, Mr. Chairman. We have a full agenda, but I would like to make some comments about the economy, and very specifically about trade and manufacturing. We all know that recent jobs reports have been disappointing. Our economy is still growing, although it is growing slower than we would like.

The bipartisan stimulus package that was supported by Congress earlier this year is beginning to have an impact. I think we will see that reflected in the second quarter. We believe that it came just at the right time. We expect the stimulus package to help the economy as the year progresses, and we should be seeing, again, some impact when we report second quarter results.

Over time, as we look ahead to the future, we believe there are three things that we need to do to keep the fundamentals moving. We are going to get through the current situation, as we have gotten through similar circumstances in the past. But long term, it is important that we make the tax cuts permanent, that we give businesses visibility and



1 predictability into the future.

2           It is important that Congress allow for more  
3 environmentally responsible oil exploration to expand  
4 production. It doesn't make any sense to be asking  
5 countries around the world to do something that we are  
6 not willing to do. We have a lot more oil that we can  
7 produce for ourselves and not be relying on foreign  
8 countries.

9           And, finally, we need to pass pending free  
10 trade agreements with Colombia, Panama, and South  
11 Korea. Just as a reminder, it's been over 600 days  
12 since the Colombia Free Trade Agreement was signed, and  
13 since that time our exporters have paid over \$1.1  
14 billion of tariffs that they would not have to pay had  
15 the agreement been approved. So, Congress needs to act  
16 on that as soon as possible. Those free trade  
17 agreements are also stimulus for our economy and  
18 Congress should approach that with the same sense of  
19 urgency that they did the stimulus package.

20           Like the National Association of  
21 Manufacturers, we have been taking a close look at the  
22 export numbers. I know Governor Engler will talk a  
23 little bit more about this. The story from  
24 manufacturing is good. Today we are releasing the  
25 following information: the U.S. trade imbalance with

1 our 14 FTA partners has generated a surplus in  
2 manufactured goods. In the first five months of 2008,  
3 the trade balance in manufactured goods rose to a \$2.7  
4 billion surplus with our FTA partners. That is up from  
5 a \$12.3 billion deficit during the same period last  
6 year.

7 In the first five months of 2008, the U.S.  
8 manufactured goods trade balance with our FTA partners  
9 improved by 122 percent over the first five months of  
10 2007, and the balance with non-FTA partners also  
11 improved, but only by 6 percent. So the improvement in  
12 those countries where we have an FTA is so much greater  
13 than in those countries where we do not have an FTA.  
14 This improvement in the trade balance is due to  
15 increasing competitiveness of U.S. manufactured goods.

16 Some interesting facts: in 2007, manufactured  
17 goods exports were the highest in our history,  
18 accounting for 62 percent of total U.S. goods and  
19 services exports. Manufacturing productivity has  
20 increased every year over the past decade and it was up  
21 3.6 percent in the first quarter of 2008, from the  
22 fourth quarter of last year.

23 With less than 5 percent of the global  
24 population, the U.S. produces more than 20 percent of  
25 world manufactured goods, the largest output in the

1 world. Free trade agreements continue to work for our  
2 manufacturers. Free trade agreements are critical for  
3 economic competitiveness beyond manufacturing. Just to  
4 give you an idea, and these are facts that we do not  
5 often discuss, and perhaps are too often overlooked,  
6 President Bush has implemented free trade agreements  
7 with 11 countries.

8 Our trade surplus with those countries has  
9 grown from \$3.8 billion in 2000 to \$21 billion in 2007.  
10 So I will just repeat: countries with which we have  
11 implemented FTAs since the President took office, 11  
12 countries, have a trade surplus of \$21 billion. So  
13 this is no time for a time-out on trade.

14 We are actually moving too slowly on trade.  
15 There is an estimate of about 100 agreements being  
16 either signed, negotiated, or completed around the  
17 world. We have three of those. We have agreements  
18 with 14 countries. Countries like the European Union  
19 have over 40, Chile has over 45, China is negotiating,  
20 and will soon have, well over 20. So as the rest of  
21 the world is moving forward very quickly, we are  
22 standing still. We are going to pay a very heavy price  
23 for that.

24 We need to move forward, we need to approve  
25 our agreements, and this is not a time to adopt

1 economic isolationist policies. Countries with which  
2 we have trade challenges are countries with which we do  
3 not have free trade agreements. So the lesson is, we  
4 need more free trade agreements and we need to be  
5 moving as quickly as possible to add to our current  
6 list of free trade agreements. FTAs help clarify rules  
7 and provide a level playing field for Americans to  
8 compete fairly.

9           Passage of the pending FTAs would give U.S.  
10 companies and workers greater access to 100 million  
11 consumers. So we look forward to working with you to  
12 pass these agreements, to continue to create jobs, to  
13 continue to drive growth. We appreciate the Council's  
14 support. Right now the focus is on Colombia. We need  
15 to get Colombia through, then Panama, then Korea. Then  
16 we need to get back to negotiating as many free trade  
17 agreements as possible.

18           Again, the challenges we have and the  
19 enforcement issues we have with countries around the  
20 world are with those countries where we do not have a  
21 free trade agreement. Free trade agreements have been  
22 very helpful to our economy, to our workers, to our  
23 businesses, and we need to get on with it.

24           So, thank you, Mr. Chairman. I'll turn it  
25 back to you.

1 CHAIRMAN KELLER: Thank you very much. Those  
2 were impressive results, indeed. It's good to have the  
3 results clear to us. Thank you also for hosting us.  
4 We appreciate that.

5 SECRETARY GUTIERREZ: A pleasure. Thank you.

6 CHAIRMAN KELLER: It's a great pleasure to  
7 have with us Governor Engler, President and Chief  
8 Executive Officer of National Association of  
9 Manufacturers, the largest industry trade group in  
10 America, representing small and large manufacturers in  
11 every industrial sector in all 50 States.

12 A former three-term governor of Michigan, he  
13 became president of NAM on October 1, 2004. It is a  
14 true advocacy group. They have a mandate, unlike this  
15 group, to represent the special interests of  
16 manufacturing to all levels of government. I contrast  
17 that role to our purpose. We are here as advisors to  
18 the Secretary on ways the administration can utilize  
19 our strength as manufacturers to propel the economy  
20 forward.

21 As NAM president, Governor Engler is an  
22 advocate for all of us in manufacturing, educating the  
23 public and policymakers on issues that affect this  
24 critical sector of the U.S. economy. He promotes a  
25 broad-based agenda for maintaining U.S. competitiveness

1 by advocating the needs of manufacturers everywhere in  
2 the U.S., including taxation, regulation, health care,  
3 litigation costs, energy costs.

4 Recognizing that manufacturing provides the  
5 bulk of U.S. exports, Governor Engler also promotes  
6 opening up foreign markets to this country's  
7 manufactured goods. Under his leadership, NAM has  
8 helped win adoption of the Central American Free Trade  
9 Agreement, CAFTA, in 2005, and actively promotes other  
10 free trade agreements. Also during his tenure at NAM,  
11 Governor Engler has advocated vigorously for a balanced  
12 approach to developing energy resources to meet our  
13 increased needs for energy.

14 Today we are fortunate to have the Governor  
15 address us as our keynote speaker, and I would like to  
16 turn it over to you, John. We've got about 15 minutes,  
17 but we hope you can accomplish that in about 15 minutes  
18 or so.

KEYNOTE SPEAKER

Governor John Engler

President and CEO of

National Association of Manufacturers

GOVERNOR ENGLER: I think I can. Thank you, Mr. Chairman, very much. I appreciate the opportunity to be here with you in the Manufacturing Council. It's good to see Secretary Gutierrez here, and Secretary Sutton, and the original Secretary of Manufacturing, Al Frink, back there. I would note that seated beside Al is someone that I'm very proud of, the president of the Manufacturing Institute, Emily diRocca. Emily was Assistant Secretary in Department of Labor, the expert in the Federal Government on workforce issues. She has brought that expertise to the NAM.

I think workforce issues remain one of the greatest challenges we've got in this country, and our National Center for the American Workforce, and -- part of that Manufacturing Institute, I think has already celebrated its 10th anniversary, but I think is ready to move to a whole new level because the skills are critical -- several States. Up in Philadelphia last week, the governors had their 100th, centennial meeting.

1           It's interesting that there was a fair amount  
2 of discussion and recognition of economic development  
3 efforts on the part of the State are deeply -- training  
4 the workforce. I think the demographics don't lie.  
5 We're going to need everybody. To me, it's one of the  
6 ways, ultimately, that the immigration issues and  
7 challenges all get --

8           I'll be very brief and hopefully have time for  
9 questions. I appreciate the Secretary and the  
10 Department's emphasis on manufacturing. I appreciate  
11 the opportunity to be here. Woody, you were kind to  
12 invite me. You put your reputation at risk by having  
13 me here.

14           (Laughter)

15           GOVERNOR ENGLER: But I had the privilege of  
16 speaking at the National Competitiveness Summit in  
17 Chicago back in May. That was a terrific event, and a  
18 crowded agenda. There were a lot of them around that  
19 time. Secretary Gutierrez described competitiveness as  
20 a global issue, from education on free trade agreements  
21 -- and he was spot-on, I think, on that list. I'll add  
22 a couple of things today that he's talked a lot about,  
23 and I talk a lot about when I get a chance to go around  
24 the country: manufacturing competitiveness -- health  
25 care, legal reform regulations, infrastructure. It's a



1 long list because manufacturing is so vital to this  
2 country, that many of the policies that are debated in  
3 the Congress, even if they're not viewed as a  
4 manufacturing issue, directly or indirectly impact the  
5 manufacturing economy.

6 We think it's important for all the candidates  
7 to address these as they go through the 2008 elections.  
8 It's always said that -- election -- more important,  
9 but I can tell you this, there's never been an election  
10 that has been held at a time when manufacturing faces  
11 more formidable competitive threats around the world.

12 People are coming and they see what we've  
13 enjoyed and they've liked that. They're out there  
14 saying, how do we organize ourselves to capture what  
15 they may not want to fight for it in the USA anymore,  
16 what they may not be prepared to sustain. So we at the  
17 Manufacturer's Association are thinking a lot about the  
18 year 2040, because I know that's what you've been  
19 thinking about. It seems like it's not very far off.

20 But right now, what happens between now and  
21 2010 is pretty important, too. There are some things  
22 that I want to focus on that are in the near term that  
23 I think can be addressed by policymakers. They're not  
24 going to get much done before the November election,  
25 but it is important that America send to Washington and

1 choose among the candidates those whose policies  
2 reflect that thinking, a recognition of the realities  
3 of manufacturing and of this global competition.

4 Our NAM cost study is still valid today, and  
5 we use it still with members of Congress and  
6 policymakers as pretty important evidence. U.S.  
7 manufacturers start out at a 32 percent cost  
8 disadvantage compared to major competitors. We look at  
9 the components. We left labor out, because we did not  
10 want to get into a labor argument. We said, look, in  
11 so many companies today the labor costs are less than  
12 10 percent of the product. Labor is not the decisive  
13 factor, but energy costs are very decisive today.

14 Companies of all sizes, all industries, of all  
15 kinds are saying energy is their number-one cost today  
16 -- cost, legal risk, regulations, especially  
17 regulations -- than we received in the past, mandated  
18 benefits, taxes owed. Policies like that all impact.  
19 On taxes, the U.S. corporate tax today rates at the  
20 top. We're number-one in something. Unfortunately,  
21 it's our corporate tax rate. We've been losing ground.

22 We haven't actually been raising the corporate  
23 tax rate. They've been lowering it. They've  
24 understood that as part of that analysis of what we do,  
25 what -- this past year alone, six countries already

1 have announced plans to cut corporate tax rates --  
2 Canada. Japan is having this discussion. Previously  
3 they were -- South Africa, Taiwan. We can't even get  
4 the Congress to lock in an extension of the R&D tax  
5 credit. The President has repeatedly called for it to  
6 be made permanent. It should be.

7 We need to have an innovation economy, and  
8 part of that is an appropriate R&D tax credit. It  
9 ought to be a better credit. It ought to be more  
10 robust, more beneficial. Instead, it is trying for the  
11 13th time and is awaiting renewal. For some companies,  
12 that is a penny or something on earnings that may mean  
13 missing a quota because you can't count -- the fact --  
14 good intentions -- need a deduction that you can put on  
15 the balance sheet. Candidates have to be made aware.  
16 Also, I think the candidates -- the consequences of  
17 letting the '01 - '03 21st century tax cuts expire.  
18 What happens if that tax goes back to its previous  
19 level? What does that mean for small business in  
20 America -- business down to the next generation?

21 On trade, the Secretary has spoken eloquently  
22 on some of the numbers. I mean, they're powerful.  
23 They're positive -- where our free trade agreements  
24 exist. There was a deficit and we were lobbying in  
25 Congress. That is moved to nearly \$2 billion positive

1 in that region. Congress has agreed to pass trade  
2 preferences for nations around the world, but when it  
3 comes time -- which allows them access to this market,  
4 well, it's time to give us access on a reciprocal basis  
5 to that market, such as in Colombia and Panama, it has  
6 not yet happened.

7 Forty percent of all economic growth last year  
8 was attributable to exports, so it's a pretty powerful  
9 driver in the American economy. We can't take a time-  
10 out on trade if there are 90 to 100 agreements being  
11 negotiated that we're not a part of. It's a good  
12 indication. Frank Bargo from the NAM is with  
13 Ambassador Susan Schwab in Geneva this week, in time  
14 for the Doha Round. But I think it's going to be very,  
15 very difficult. The deals are getting made. We're  
16 just not part of the deals. Yesterday, I noted that  
17 the President and Secretary were celebrating  
18 independence day in Colombia and pushing the Colombian-  
19 U.S. Free Trade Agreement.

20 I just want to reemphasize the numbers. Since  
21 that deal was signed, we paid an extra \$1.1 billion in  
22 tariffs to the nation of Colombia. That means we--and  
23 I mean exporters--the businesses in this country, did  
24 not have that money to give to their shareholders, to  
25 their employees, or reinvest in their business.

1           On energy, I am pleased that we are now seeing  
2 a lot of effort in the Congress on this issue. There  
3 has to be more than talk, though -- on energy. But  
4 even the Congress can't generate enough to make --  
5 traditional fuels. But that is very clear, that  
6 traditional forms of energy--coal, natural gas, oil and  
7 nuclear--have been mainstays. The alternative fuels  
8 can add to the supply, there's no question. They're  
9 going to be increasingly important in the future. And  
10 conservation and energy efficiency are also vital.

11           There are some significant business  
12 opportunities when we think about America's energy  
13 security, but we have to have supply. We can't do it  
14 all on the conservation side. When it comes to supply,  
15 the -- supply is simple: we project that there will be  
16 growth of the economy. Without growth, we don't need  
17 the energy. If we don't have growth, we're going to  
18 have a lot of other problems, too. So that is pretty  
19 clear, that growth requires energy and we're going to  
20 need the traditional sources in the near term.

21           We are very pleased to see the administration  
22 lift the moratorium on offshore Outer Continental Shelf  
23 exploration just a week ago. Eighty-five percent of  
24 the energy potential of offshore is locked off-limits  
25 today, and we see nations that we compete with around

1 the world on drilling in an environmentally safe  
2 manner, which we have done and will continue to do in  
3 this country. We're giving away a lot. ANWAR can  
4 produce 10 billion barrels of oil with, I think,  
5 minimal environmental impact. Shale oil in the west  
6 has become -- Congress wants to have a moratorium on  
7 that.

8 Gas formations, like the Barnett shale, today  
9 is adding significantly to the gas supplies. Nuclear  
10 power. There is an area where the Congress, in 2005,  
11 did act through various loan guarantees and the like.  
12 It is now 2008 and no permits have been issued. It  
13 took two years to write the rules on the loan  
14 guarantees, and that process goes slow in this Nation,  
15 while Britain revisits. We -- nuclear power -- Brown  
16 government, while places like Japan and China are -- in  
17 France, nuclear power has been so successful -- export  
18 of electricity.

19 We process virtually all the -- sufficiently  
20 to store in a single location and a lot smaller -- so  
21 we think manufacturers ought to keep the pressure up.  
22 I am confident that if we start building nuclear power  
23 plants, the other people will have the steel ready for  
24 those plants and we'll be ready to go.

25 So we think, in the elections of 2008, there

1       ought to be a conversation about growth in America.  
2       That sector demands \$1.7 trillion in GDP on an annual  
3       basis. It employs 14 million people directly, and 6 to  
4       10 million indirectly. That ought to be part of the  
5       conversation and that ought to be on everybody's  
6       agenda.

7               A manufacturing job isn't Democrat or  
8       Republican, it's just good, high-paying wages for  
9       workers in the station. That's what we ought to be  
10      focused on. So we'd like to have accountability, we'd  
11      like the candidates and public to remember that people  
12      who work in manufacturing matter, and that without  
13      manufacturing you won't have economic security or  
14      national security in this Nation.

15             Thank you, Mr. Chairman.

16             CHAIRMAN KELLER: Thank you. Appreciate that  
17      very much.

18             Council members, here is your opportunity to  
19      ask John any questions. What kind of questions would  
20      you have, or anything that he said that stimulates some  
21      thoughts that you'd like to comment on?

22             MR. DiMICCO: Governor, Dan DiMicco, here.  
23      What are you hearing on the Hill about increased energy  
24      exploration, moving nuclear issues further on, faster?

25             GOVERNOR ENGLER: I am encouraged. In the

1 Senate, we've got a bipartisan group of five Democrat  
2 and five Republican Senators that are talking. I am  
3 frustrated with both the House and Senate; it seems  
4 ANWAR is off the agenda, although I think they're  
5 getting closer to having the votes. But it doesn't  
6 seem, in the short term, they're going to revisit that  
7 question. Depending on the election outcome, there may  
8 be a limit. But I think much broader access to Outer  
9 Continental Shelf supplies, which we think are very  
10 lucrative in terms of the potential supply that's  
11 there.

12 I think some additional access -- Senator Lams  
13 in Interior has recently moved on some of the shale  
14 opportunities in the west. We think that's positive,  
15 but they need to lift the moratorium that they've got  
16 on shale as well.

17 The House also has a bipartisan group, a  
18 little bigger group, led by Congressman Abercrombie  
19 from Pennsylvania, and -- Peterson. What they are also  
20 trying to do, is put something together on more of a  
21 partisan basis. The Republican conference today is  
22 going out on the steps and saying, we've got a triple-  
23 part plan on the supply. There are some who say, well,  
24 it's all about the speculators. I think that's very  
25 much worthy of inquiry. However, we still need the



1 product.

2           It's hard to think we're at a point where \$130  
3 oil seems like it's getting cheaper. But I think  
4 that's one of the risks you've got. There's no  
5 question that the public out there, the fact that  
6 gasoline went past \$4, somehow that was kind of a --  
7 where is the tipping point? Well, it was \$4, it turned  
8 out. That's what got everybody's attention. That's  
9 what, in turn, put the pressure on the Congress.

10           There are some leaders who don't think they're  
11 going to do anything and they'll sort of run the clock  
12 out. I think this one is starting to bite back home on  
13 a lot of members in both parties, and so I think  
14 there's a desire to deal with this now. We're  
15 optimistic that we may get some additional flexibility  
16 out of this Congress.

17           At the NAM, we make it clear -- some say it  
18 takes years to produce this. It's going to take years  
19 from when you start, but if you never start you're  
20 never going to get anything. Some of these issues have  
21 been around for 10 years. We'd be producing in some  
22 of these areas today and if we'd have made these  
23 decisions. On 5545, if a little more help comes out of  
24 this Congress --

25           MR. KAMENSTEIN: I have a question for you.

1 Is NAM working at all with the nonprofit environmental  
2 organization to try to come out with a policy that --  
3 can agree on, they can agree on? I mean, they're aware  
4 of what's going on here, abundantly aware. I think  
5 that they want to look for alternative energy sources.  
6 Most of them are realistic. Some of them are.

7 It seems to me that a concerted position,  
8 effort, going forward aligning both the manufacturing  
9 sector with what may have been the traditional "enemy"  
10 in the past would prove to be a very, very strong force  
11 in propelling our government to move on a sensible  
12 energy policy.

13 GOVERNOR ENGLER: You would think it would  
14 help. I mean, it's been three weeks now, I guess. I  
15 did a press conference with Christie Lichtman, and  
16 among the -- op-ed -- but Senator Tom Carper was, and  
17 that was all about nuclear power. We were coming at it  
18 from the jobs impact of the research of the nuclear  
19 power industry in the country, and the fact that that's  
20 non-emitting, carbon-free power and can be done  
21 environmentally safe. I think there's substantial  
22 momentum there. I really think that -- I mean, you've  
23 got a little chicken-or-egg question. Everybody likes  
24 to build the third reactor. There's a little angst  
25 about being first.

1           On the drilling, there has not been a similar,  
2       I would say, success where somebody is saying, well,  
3       yes, we'd be open to this. Part of the trade-off, you  
4       would imagine, is saying, what are we doing about  
5       investing in alternatives, what are we doing on the  
6       research side? We've supported, at the National  
7       Association of Manufacturers, all of the research  
8       efforts.

9           We believe the National Petroleum Council  
10      report that was done--it's an advisory group to the  
11      Secretary of Energy--was a very solid piece of work and  
12      it endorsed all of the research. In coal, you could do  
13      liquification or gasification and that has enormous  
14      potential.

15           We certainly are excited about the potential  
16      for energy efficiency. I've been meeting with the  
17      British leaders because they're a little further ahead,  
18      obviously, on the continent. One of the things that  
19      they've done over there to try to deal with Kyoto and  
20      reducing carbon impact, is to really focus on their  
21      residential and commercial sector. We've not done that  
22      very much, but we know that through -- I was in  
23      Milwaukee and I saw a video about water heaters up in  
24      Michigan; talked with Guardian Glass; in Owens,  
25      Illinois, on insulation; GE and Siemen's on smart

1 controls.

2 All of these are sort of pieces of a puzzle.  
3 There's been sporadic support for some tax credits to  
4 incent this, but I think that's going to have to be a  
5 much bigger program, probably led by utilities. We've  
6 been talking about them as well. You know, you need to  
7 be thinking, how do I basically build a new generating  
8 plant through conservation? How do I get the 1,000  
9 megawatts conservation in the homes that I'm serving?  
10 The Energy Department has been pretty good on what they  
11 call their Green Star initiative, or Energy Star  
12 initiative. But we think that's an area, and some of  
13 the environmental groups are part of that.

14 But there's an element--and that element is  
15 pretty strong in the House of Representatives and some  
16 of the leadership there--that I describe as, they don't  
17 like any fuel source or any means of production, but  
18 have a policy supporting affordable energy and  
19 available supplies for all. It's hard to pull all that  
20 together.

21 CHAIRMAN KELLER: If I take off my Chairman's  
22 hat a minute, I'll just ask a question.

23 GOVERNOR ENGLER: Yes.

24 CHAIRMAN KELLER: You mentioned the  
25 alternative energy. The National Renewable Energy Lab

1 has predicted and proposed that we can receive as much  
2 as 20 percent of our energy nationally from wind, and  
3 that has great implications for manufacturing.  
4 Literally, we can manufacture energy. How are you  
5 doing on that? Any thoughts on that? One issue there  
6 that does impact that industry is the production tax  
7 credit, which has been on again/off again. If that  
8 could be stable, people could count on it.

9 GOVERNOR ENGLER: You know, to me it's very  
10 logical. You would think that these credits, you'd  
11 come up with some kind of oil equivalency and say we're  
12 going to have credits in here that work at this level,  
13 and maybe even keep a floor of some sort. I mean,  
14 we're probably never going back to \$50 oil.

15 CHAIRMAN KELLER: Right.

16 GOVERNOR ENGLER: But some way to get some  
17 line of sight. Now, I do remember as a governor, when  
18 the ethanol -- interest came in and said, look, oil is  
19 \$30 a barrel. If it ever got to \$40, we'd be -- man,  
20 we'd be competitive. We don't need any help because we  
21 were phasing out tax credits at the time. They said,  
22 oh, you can't do that. If oil went just a little bit  
23 higher -- well, of course oil is at \$140, and everybody  
24 still has ethanol credits. I think once people get  
25 credits, they kind of like those, too.

1           CHAIRMAN KELLER: Right. Sure.

2           GOVERNOR ENGLER: But I think there are price  
3 points here in these industries to get them started and  
4 they're useful. I think that there is -- I mean, Boone  
5 Pickens is making it pretty clear, and he's spent a lot  
6 of money to do it. But you've got other issues. I  
7 mean, we've got an infrastructure -- I didn't talk a  
8 lot about it today. A couple of my favorite topics are  
9 both workforce and infrastructure, and interestingly,  
10 they're related because you won't be able to do the  
11 kind of infrastructure we need without having a better  
12 skilled workforce to do it. But we need transmission  
13 lines.

14           Our governor back in Michigan is talking about  
15 wind energy, but we're about a third as efficient as  
16 the plains of Kansas and other places are with wind  
17 energy. So you'd be better off putting your investment  
18 in the transmission line, put your windmill where  
19 there's more wind, and move the power back. The  
20 problem is, where the greatest wind is is not  
21 necessarily where we need the power.

22           But on the other hand, as the technology gets  
23 better than I presume you're going to get more  
24 efficient, even in the more marginal places of  
25 producing. That's why we've not been -- Congress has

1 had a debate over a renewable portfolio where they want  
2 to say every utility has X percent, but that works a  
3 lot better if -- you know, if you've got nuclear plants  
4 you're home free, but if you don't and you are, say,  
5 gas dependent, but now where you've got wind or water,  
6 you've --

7 CHAIRMAN KELLER: It has to go by region.  
8 Yes.

9 GOVERNOR ENGLER: That was the problem. They  
10 weren't nuanced on this at all. They just wanted to  
11 flop down a mandate. Some markets are pretty  
12 important, but you've got to understand them.

13 CHAIRMAN KELLER: Other questions for the  
14 Governor?

15 MR. HOLMES: Sir, does NAM have a section that  
16 gets involved with health care?

17 GOVERNOR ENGLER: We do have a Health Care  
18 Task Force that we operate. I just had lunch today  
19 with a couple of reporters on the topic of health care.  
20 I told the reporter, and I can say it here, we have to  
21 pay attention to any sector of the economy that is  
22 bigger than ours, and we've got a pretty big sector.  
23 Here's health care at about \$2.1 trillion, and it's  
24 soaring. We have two big focal points. We know  
25 there's going to be a big debate about how you pay for

1 all of this in the future, but things can be sort of  
2 right at hand. We've tried to do a lot.

3 Some of the companies are just spectacular on  
4 wellness and prevention agendas, and they've had real  
5 savings and cost stabilization because they're trying  
6 to manage or prevent a chronic condition or a chronic  
7 disease, how they're doing that. We also are very  
8 supportive of health IT, because one of the problems in  
9 the \$2 trillion spent out there is that there's very  
10 little accountability for that and we'd like to drive  
11 more of that.

12 CHAIRMAN KELLER: That's an overstatement,  
13 isn't it? Yes.

14 Any other questions?

15 MR. DiMICCO: Governor, do you see us turning  
16 around this trend that we have seen going back all the  
17 way to 2000, where virtually every month we have lost  
18 manufacturing gains? The only category that seems to  
19 be growing are governmental jobs. We lose  
20 manufacturing jobs every month now. Nucor is very  
21 familiar with productivity enhancements. We understand  
22 what you can do with productivity and how you can do  
23 more with less.

24 But consistently, month after month after  
25 month, when is Congress and whoever becomes our next



1 President -- are they going to get the message that  
2 this is a serious bleeding that's going on, a drain on  
3 this Nation's ability to have the standard of living  
4 that it's hard for the last 50 years? Because you  
5 can't go on losing 30,000, 40,000 jobs, 20,000 in high-  
6 paying manufacturing jobs every month, month after  
7 month, for eight years. Yet, that's what's been going  
8 on.

9 GOVERNOR ENGLER: I think there are a couple  
10 of things. The transportation costs, the energy costs  
11 alone are a big -- I read a report recently where just  
12 the rising energy costs of transportation alone can be  
13 as much as an 11 to 14 percent tariff. That's how much  
14 it's gone up in packing and shipping. That's causing  
15 some reappraisal of these really far-flung supply  
16 chains. In some cases it may well -- at this point  
17 some of it's anecdotal, but there's a lot of  
18 reevaluation going on about, should I be moving  
19 production back here?

20 MR. DiMICCO: It's true. I think the other  
21 thing I recognize--and I should have made this point  
22 earlier because I try to make it a lot--most people  
23 recognize how bad the housing market has been. That's  
24 one market everybody's pretty much in. The housing  
25 market is in the tank and it's really hurting the

1 economy.

2 In fact, what housing and the decline is taken  
3 out of GDP, manufacturing and exports have put back in.  
4 In other words, the growth of exports has offset the  
5 decline in housing. It's sort of a stunning comparison  
6 because the people have this magnitude of housing.  
7 It's so vast, and then they really don't understand  
8 exports. It must be pretty vast as well.

9 But to your point, the jobs here -- I mean, I  
10 read a lot about that. We're not the Chinese  
11 Manufacturers Association or the Indian Manufacturers,  
12 we're the National Association of our Nation. I do  
13 think there are a couple of things under way. I think  
14 some of this has been market driven because the market  
15 growth -- there are a lot of markets out in the world  
16 today, and just the way we want people to come here,  
17 we're in a situation where we're trying to go there to  
18 compete. So, that's part.

19 The other part that I think is going on is  
20 that productivity that everybody has been deploying,  
21 and in many ways would drive labor costs down or the  
22 labor component down, you've got a little bit of the  
23 function of what happened in agriculture. I mean,  
24 we're output rising, with fewer people doing it. I  
25 don't think we count manufacturing. The Secretary will

1 have to talk about this. Before he leaves, he sort of  
2 gets to put at least a partial imprimatur around the  
3 next Census.

4 But if we could ever figure out, in the next  
5 Census, how to really count everybody -- there's a guy  
6 at UPS who is doing logistics for the manufacturing  
7 firm and is a service worker under the Census. In the  
8 old days he was probably on the third floor of the  
9 manufacturing plant, trying to figure that stuff out  
10 and he counted.

11 In the old days, we had people -- one in the  
12 cafeteria. They got rolled into a manufacturing  
13 number. There's nobody in that count today in  
14 manufacturing. So they've run out all of these other  
15 ancillary jobs who used to kind of get masked in the  
16 manufacturing number, so I think that's also part of  
17 it.

18 I don't deny there are fewer facilities of a  
19 lot of the older household names. I mean, I look at  
20 Michigan. I mean, Ford, General Motors and Chrysler,  
21 they've got a lot -- but when I was a governor in 1991,  
22 my first year, and every year for 12 years, they  
23 started out wanting to be smaller that year. They  
24 wanted to make more vehicles, but they wanted to have  
25 fewer people.

1           So I think it's -- I'm not sure just measuring  
2 head counts is the way we're going to do this. I think  
3 it's output and I think it ought to be economic growth,  
4 and it probably us the unemployment rate, and a few of  
5 these things. But I'm not sure a specific  
6 manufacturing head count is the best measure, because  
7 everybody is trying to get jobs out. You know, those  
8 meetings you've been holding, which I think have been  
9 good, but there's nothing like -- we've got lines  
10 opened back up, as you know, in this country. We've  
11 got production that we thought was gone for everyone.

12           CHAIRMAN KELLER: Eyes in Michigan are opening  
13 up.

14           GOVERNOR ENGLER: Yes.

15           SECRETARY GUTIERREZ: If I can just jump in, I  
16 want to correct your numbers a little bit. The economy  
17 has created over 5 million new jobs, and thankfully  
18 they have not come from government. They've come from  
19 the private sector, they've come from health care,  
20 they've come from services, financial services, they've  
21 come from R&D.

22           Manufacturing, to your point, has fluctuated  
23 from about 11.9 to 12.9 percent of GDP for the last 10  
24 years. But I just want to make sure, just in case  
25 somebody caught that, it's not the government who is

1 creating jobs, it's the private sector.

2 GOVERNOR ENGLER: I'll let you have the last  
3 word.

4 SECRETARY GUTIERREZ: No, that's all right.

5 MS. JOHNSON: Well, it might be a good  
6 indicator also. We're probably already tracking how  
7 many new businesses we're starting each year here. I  
8 mean, for the first time in our history our leading  
9 edge of being the world's innovators is being  
10 challenged, and I think that if we could track on --  
11 you know, create the environment, as the Secretary  
12 mentioned, where we make the tax cuts permanent, where  
13 oil exploration becomes a priority, and we get these  
14 free trade agreements going -- to think that, you know,  
15 we have a \$21 billion surplus with the 11 free trade  
16 agreements that President Bush has established or  
17 approved, and we only have 14 total -- I mean, the  
18 opportunity there to create more jobs and businesses is  
19 so great, that if we could truly focus on the tax cuts,  
20 oil exploration and free trade, we would have an  
21 environment that people would want to come to and we  
22 could maintain our lead as the world's innovators.

23 SECRETARY GUTIERREZ: You are so right.

24 GOVERNOR ENGLER: On Saturday, I spoke up in  
25 New York at the 50th anniversary of the IIPN and IT --

1 and one of the things that's changed that we've got to  
2 be very cautious about--and again, Congress had a  
3 decision to make, and thus far they've made the wrong  
4 decision--is -- we used to be a bank and everybody in  
5 the world wanted to come here and start a business.  
6 Today, we're expecting taxpayers to fund graduate  
7 education programs and we still want students from our  
8 -- students come from around the world. Then what do  
9 we want to do? Go home.

10 Why would we pay for those schools and then  
11 send the talent back? We should be giving them the  
12 visa and keeping them here. I mean, these are some of  
13 the best and brightest young people from all over the  
14 world, and we're sending them back home. In the old  
15 days, we kept them. That's just one of the policies.  
16 Another one is foreign earnings. At a time when  
17 exports are booming, we don't want repatriation of  
18 foreign earnings, to come back at very high corporate  
19 tax rates. So what's the instinct of everybody? What  
20 is the logical -- to go offshore. If you go offshore  
21 every time you do something --

22 SECRETARY GUTIERREZ: You're so right.

23 GOVERNOR ENGLER: You can do it a lot cheaper  
24 out there with the money you might have brought back  
25 home. One time we fought that repatriation and brought

1 back \$300 billion or something. I mean, why can we not  
2 do that as a matter of policy? I mean, I don't think  
3 that's a hard question. But you've already had  
4 discussions on it.

5 SECRETARY GUTIERREZ: The point of small  
6 business is to -- tax policy. You mentioned death  
7 taxes. People talk about it as though this would be a  
8 benefit for a huge inheritance if we get rid of that  
9 tax. It's actually small businesses who are able to  
10 keep their business in the family or able to pass it on  
11 to heirs. There was an interesting point as to the  
12 number: 50 percent of all new jobs are created by  
13 companies that are less than five years old, so this  
14 isn't about -- our economy isn't about large,  
15 multinational corporations. It's about small  
16 businesses, and it has always been.

17 GOVERNOR ENGLER: A lot of these smart guys  
18 took old, failed steel companies and turned them around  
19 and started things going. Guys like that, or the guys  
20 who started Google -- it was family-owned and started  
21 in a garage. Google started in a little lab, and these  
22 things are behemoths today.

23 MR. DiMICCO: One of the things that certainly  
24 helps certain sectors of manufacturing like the steel  
25 industry has been the Department of Commerce's

1 willingness to go out and fight for another playing  
2 field and enforcement of existing trade laws and  
3 agreements that we've had with many of our trading  
4 partners, and in particular, last year with respect to  
5 China, both on the subsidies issue and on the dumping  
6 issues. These have been very, very helpful.

7 We commend you for that, and know that you'll  
8 stay the course and make sure that agreements that  
9 people have made with the United States and have access  
10 to our markets will be enforced. That's all we've ever  
11 asked for in terms of that level playing field. But  
12 you mentioned the panel of meetings all across the  
13 country. We probably had about 25 of them, probably  
14 talked to over 100,000 people.

15 They've been very well-received because the  
16 people out there understand that things are not as good  
17 as they could be, and as good as they have been, and  
18 they want it to be better. Our message has been one  
19 that we can do better. We just need to create the  
20 emphasis, the focus, and a level playing field on which  
21 to compete. If we do that, then we will be able to  
22 regain our dominance in the world with respect to  
23 manufacturing. There is also no doubt that we've lost  
24 a lot of manufacturing. The weaker dollar has  
25 certainly helped us regain an edge when it comes to



1 exports today.

2 Nucor, today, is exporting two million tons of  
3 steel. That, at \$1,000 a ton, is a couple of billion  
4 dollars, just from Nucor, that two years ago we weren't  
5 doing because we couldn't. The global demand helps,  
6 but also the weaker dollar helps. Currencies can have  
7 an impact. As you know, we have fought the issues on  
8 the China currency situation, which still haven't been  
9 resolved. The administration has been working on it,  
10 but the Chinese haven't given a whole lot. These  
11 things can make a difference. So I am very encouraged  
12 by the exporting opportunities that manufacturers have  
13 today.

14 Hopefully we're going to see a rebuild of some  
15 of the manufacturing opportunities that we've lost. I,  
16 for one, believe they can come back. I'd like them to  
17 come back as U.S. manufacturers, but if they come back  
18 as Toyota plants and Honda plants and Daimler-Chrysler  
19 plants or Daimler plants, Mercedes-Benz or BMW, they're  
20 creating American jobs and high-paying jobs, and that's  
21 a good thing.

22 CHAIRMAN KELLER: Thanks, Dan.

23 Thank you, Governor, for coming and having a  
24 stimulating conversation with us. Thank you so much.

25 GOVERNOR ENGLER: My pleasure.

1 ASSISTANT SECRETARY SUTTON: My reputation is  
2 intact.

3 (Laughter)

4 CHAIRMAN KELLER: Absolutely. Thanks for  
5 being with us. Appreciate it.

6 GOVERNOR ENGLER: Thank you very much.  
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REPORT FROM BREAKOUT SESSIONS

Manufacturing 2040 Subcommittee

CHAIRMAN KELLER: We have two other report-outs here this afternoon. We've spoken this morning, or I should say we've received, an understanding in a breakout session about two kind of umbrella issues: one being, what is the future of manufacturing in 2040, and secondly, kind of a sustainable manufacturing issue. How do we become more sustainable as manufacturers in all three elements of sustainability?

The first one was the idea of manufacturing 2040, what the future would look like for manufacturing in the future. Harding, you were chosen to please report out on what you learned this morning. If you could give us a few bullet points on that, we'd appreciate it. Kellie, you were there. Would you help facilitate any discussion we have in this area?

MS. JOHNSON: I can do that.

CHAIRMAN KELLER: Okay.

MR. STOWE: Mr. Chairman, I'm proud to have the opportunity to report on the 2040 Subcommittee. I was joined at that meeting by three members of the Council: Kellie Johnson, who serves as Vice Chair, Dean Bartles, and John Lowery.

1           The subcommittee had met by conference call  
2 previously two times in May and in June, and met today  
3 in person. The meeting was divided into three breakout  
4 sessions focusing on issues that have been identified  
5 as most important currently. These sessions were for:  
6 1) messaging; 2) outreach in portal development; 3)  
7 maintaining momentum through scenario development.

8           A member of the Manufacturing Council attended  
9 each one of these sessions.

10           I'm going to give a brief conclusion of each  
11 one of them. It's not complete. If other members that  
12 were in these breakout meetings would like to add to  
13 it, I'd certainly welcome that.

14           Under messaging, the important thing is the  
15 manufacturer's industry's image. As we look to 2040,  
16 we have to have a message that is bold, that is  
17 genuine. We need to attract young people. Young  
18 people need to see opportunity. They need to see an  
19 industry that is green and not an industry that, at  
20 least in their own mind, is a pollutant industry. They  
21 need to see manufacturing as requiring high skills, not  
22 an industry of menial jobs and dead-end opportunity.

23           This generation uses technology. Sometimes  
24 that brings simplicity. It's hard to define. Woody  
25 challenged the committee to come up with one word that

1       could be Googled that could -- that's not  
2       "manufacturing" that encompasses what we want  
3       manufacturing to be: individual empowerment, ownership,  
4       new ideas, new products, new systems. We're still  
5       working on that word. Woody says he doesn't sleep at  
6       night anymore, thinking about what that word is.

7               (Laughter)

8               MR. STOWE: The outreach and portal  
9       development meeting. We see the initial link as the  
10      manufacturing.gov Web site for the 2040 initiative, but  
11      later it will be important to move beyond a government  
12      relationship to more independence. This site needs to  
13      be quasi-open source, or at least to have the ability  
14      for information to pass freely up, down, and around.  
15      There needs to be regional links that provide  
16      information of geographical resources.

17              Again, focusing on youth and the opportunities  
18      they see looking forward to the year 2040. We need to  
19      take advantage of the advancements in technology, in  
20      networking with sites like Facebook, interactive in  
21      real-life like YouTube, and interactive in the virtual  
22      environment like Secondlife, and the opportunities that  
23      we would have on the Web to express 2040 in these  
24      different ways.

25              The third route, was maintaining momentum

1 through scenario development. It was focused on U.S.  
2 competitiveness on each of the identified 2040 road map  
3 topics. Infrastructure, workplace development,  
4 energy/environment, and innovation perhaps need their  
5 own task force focused on it. It's too encompassing  
6 for one meeting.

7 However, additional topics were identified as:  
8 protection of new technology; immigration; and trade  
9 policy that is environmentally focused, where the  
10 United States does not lose business to polluting  
11 countries, countries that are awarded business because  
12 they don't spend the money and have the controls that  
13 we do. The final idea is that needs to be a  
14 deliverable, and that is manufacturing in the United  
15 States.

16 I'd welcome any other comments.

17 MS. JOHNSON: I think you summed it up just  
18 perfectly, Harding. The biggest issue that we  
19 discussed -- I was in the imaging breakout group.  
20 Before anything else can happen, we really have to  
21 change the image of manufacturing and we have to be  
22 bold and visionary before anything else can roll down  
23 out of that. I think that's our biggest challenge.  
24 Emily DiRocca was heading up the group in terms of the  
25 imaging concept. I know that she met with industry

1 leaders today.

2 On September 15th, she's going to be hosting  
3 another meeting with industry leaders to really test  
4 her will to see that people are really going to put  
5 some skin in the game and get involved, and if they  
6 are, then they're going to go full bore, hire some  
7 professionals, and we're going to change, because as  
8 manufacturing -- as the Secretary mentioned, you know,  
9 50 percent of new jobs are coming from companies that  
10 are five years old or less. You know, if we're going  
11 to be the world's innovators, it's going to come from  
12 small companies. I think the landscape of  
13 manufacturing is going to change. We have to put that  
14 out there.

15 So September 15th, I think, will be a critical  
16 day to really see that the will of the manufacturing  
17 population is behind this -- as I said. So we'll see.  
18 The Manufacturing Council would like, if this concept  
19 does go forward, I know it's Woody's vision to have it  
20 be a living, breathing concept. It's not an end game.  
21 We're not trying to get to 2040 and solve all of the  
22 questions and have all of the answers by then. It's  
23 going to be very dynamic. If we're going to -- I lost  
24 my train of thought. I'm sorry.

25 CHAIRMAN KELLER: That's good. That's great.

1 Thank you, Kellie.  
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REPORT FROM BREAKOUT SESSIONS

Sustainable Manufacturing Subcommittee

CHAIRMAN KELLER: We're a little behind our time line here anyway, so let's move now to the Sustainable Manufacturing Subcommittee.

Jason, you were nominated to report out on what we've learned this morning.

MR. SPEER: I was. Thank you, Mr. Chairman.

We broke down into our sustainable manufacturing session this morning. We started out hearing from Matt Howard of the Sustainable Manufacturing Initiative League, and he let us know that, based on an event that was held in September of 2007 by himself and Assistant Secretary Sutton, from feedback from the private and public sector, that there was a need for this initiative.

So after following that through the manufacturing.gov Web site, they set up a sustainable manufacturing Web site. If you click on manufacturing.gov, there's a recycle -- little emblem on there. You click on that. You can get the breakdown of all the different programs that different government entities offer. There also is a sign-up for e-mail updates, which I encourage everyone to do. As

1       it's updated, you'll get e-mails on it.

2               From there, we heard from Saul from the OECD.  
3       He was the study coordinator and kind of broke down the  
4       initiative for us. He started talking about a broad  
5       range and the best way to proceed, and from there he  
6       spoke to us about Sustainable Manufacturing American  
7       Regional Tours, or SMART.

8               This is basically going out on the road,  
9       showing what different businesses in the local  
10       communities have done for sustainable manufacturing,  
11       getting people in to learn what can be done, and  
12       hopefully encouraging small and medium companies to get  
13       in and learn what they can do. There will be the first  
14       SMART tour on Sun Products in St. Louis, Missouri on  
15       Monday, July 28. So that will be coming up, and there  
16       will be future tours after that.

17              The third, and final part of the program is  
18       they wanted metrics. They want to measure sustainable  
19       manufacturing. They want a goal. The OECD is really  
20       looking for feedback on this from both public and  
21       private manufacturing industries. They're having a  
22       meeting September 23-25, and they are seeking input  
23       from anyone to try and gauge the metrics and how to  
24       proceed with that.

25              After that, we heard a briefing from the

1 inter-agency working group. We heard some information  
2 from the Department of Justice, Department of Energy,  
3 the White House, Department of Labor, the Office for  
4 Workforce Development, and the EPA on various  
5 initiatives that they have.

6 After that, we had a little bit of talk. The  
7 Council thought of a few things that we'd like to bring  
8 out for discussion. There were some possible action  
9 items that might be forthcoming. There will be a  
10 letter addressing the marketing and promotion of the  
11 Web site as it proceeds, and, of course, any additional  
12 feedback from the Council on the metrics goal. They  
13 are looking potentially at having the meeting on the  
14 23-25, so there might be a letter forthcoming to the  
15 committee.

16 That's the recap, if anyone else has any  
17 comments.

18 CHAIRMAN KELLER: Any other comments or  
19 questions on either of these subcommittees that the  
20 Council members would like to make? Peter, you're  
21 looking like you want to say something.

22 MR. KAMENSTEIN: No, no. I mean, one of the  
23 things that we specifically spoke about was really  
24 making a concerted effort to get the manufacturing, and  
25 even the consumer populace, familiar with what Commerce

1 is doing in the various programs that they're offering  
2 and to have some type of, if possible -- maybe some  
3 type of national campaign, really getting out there in  
4 the public -- quite frankly, what's being offered now -  
5 - programs, but I doubt if very many organizations,  
6 companies, and consumers really know about -- how to  
7 avail themselves of it. It should be something that's  
8 really made much more public than it is now, and I  
9 think the only way to do that is to basically have some  
10 type of national advertising.

11 MR. SPEER: Our company, being a small company  
12 too, we don't have a lot of resources. So I think  
13 having a searchable database for all these programs  
14 that the government offers, the various entities --  
15 then part of it is getting the word out that would be  
16 beneficial.

17 SECRETARY GUTIERREZ: Like commercial service  
18 programs and things of that nature?

19 MR. KAMENSTEIN: Yes. I mean, you often see  
20 this. But I use an example, the old Smokey the Bear  
21 type thing. The National Forest Service had a campaign  
22 -- but something that represents having sustainable  
23 actions. That is -- get amongst -- sustainability has  
24 become a major issue. It certainly is -- and I think  
25 that there could be a campaign in association with the

1 Advertising Council or -- and in association with even  
2 places like Wal-Mart, or whatever, and get out in the  
3 public's face what the government is actually making  
4 available to the public and to -- because they don't  
5 know. I can guarantee you that 85 to 90 percent of the  
6 companies in the United States do not know anything  
7 about the multitude of programs that the Commerce  
8 Department and the other departments are offering to  
9 promote sustainable manufacturing.

10 SECRETARY GUTIERREZ: I think that's a great  
11 point. We might think about bringing forward Izzy's  
12 group or having someone come and at least let this  
13 Council know what we've got going and what kind of  
14 programs we have to help exporters, to help commercial  
15 business overseas. I think it's a great plan. We  
16 should start making sure that we know what we're doing  
17 to help businesses, and small businesses.

18 MR. KAMENSTEIN: Dan brought up a really good  
19 point about utilizing NAM and other organizations. Why  
20 don't you expand on that?

21 MR. DiMICCO: Well, Matt and his team are  
22 doing a good job of showing us all the information  
23 that's available on the various Web sites and how  
24 they've organized things, talking about what could be  
25 done to get this information out, and how could it be

1       gotten out. Well, there's a wealth of already  
2       preexisting manufacturing councils around this country.  
3       Every State has several. Small communities have them.  
4       I've talked to one in Rhode Island, I've talked with  
5       one in North Carolina, I've talked with the one in  
6       Cleveland.

7               So there's already a network out there that  
8       has, in many cases, their own staff that we could lock  
9       into, and NAM certainly is another one where the  
10      information that is available on what can be done, what  
11      the government has to support efforts of small  
12      manufacturers and medium-sized manufacturers could be  
13      easily disseminated out all of these manufacturing  
14      councils who are made up of small manufacturers in  
15      small towns all across the United States.

16             So there is that infrastructure. It is all  
17      ready. It doesn't have to be recreated. We just need  
18      to tap into it. Today, the communication channels  
19      through the Internet and what have you are very easy.  
20      Everybody has got their own Web sites. It can be done.

21             The States, in many cases, have, through their  
22      Economic Development Commissions, tie-ins to the  
23      manufacturing councils in their State. So it's  
24      something that, this information can be gotten out.

25             The other thing that we talked about with

1 sustainability was, we were asked, each of us, what we  
2 thought was our definition of why we were interested in  
3 sustainability and what we thought sustainability was  
4 about. It's really a very broad issue. It's not just  
5 one or two items. It encompasses environmental, it  
6 encompasses energy, it encompasses raw materials, it  
7 encompasses profitability, it encompasses safety,  
8 running your operation safely.

9 It encompasses a number of different things  
10 that are very important to the overall sustainability  
11 of manufacturing. We have to do things in an  
12 environmentally compatible way, and you can make money  
13 doing that. Nucor is a great example of that, with our  
14 recycling, being one of the world's largest recyclers.

15 There are plenty of opportunities here, but  
16 you have to look at a broad definition of  
17 sustainability, not at a narrow one. That doesn't mean  
18 you can't focus on driving down into narrower areas,  
19 but overall you'd better be profitable or you're not  
20 going to be around. You'd better be environmentally  
21 compatible or you're not going to be around. You'd  
22 better run safe organizations, and you'd better be  
23 using materials efficiently and productively. As John  
24 Engler said a little while ago, you need energy to  
25 manufacture. So, sustainability encompasses a broad

1 range of issues important to manufacturers, and we  
2 should look at it from that standpoint.

3 CHAIRMAN KELLER: I think there were a couple  
4 of different communication thoughts, one being the  
5 communication to the manufacturers. That is, I think,  
6 what Dan is addressing. Also, the idea that the --  
7 NIST also is a vehicle that can be used to disseminate  
8 this kind of information -- but there was also this  
9 more public realm that I think Peter was addressing,  
10 and that is, how do we address the state of  
11 manufacturing, which really relates to the first -- I  
12 was hearing from the first group that's talking about  
13 communicating what modern manufacturing looks like  
14 today, and oh, by the way, that is very sustainable?  
15 It can be, and that can be a message that we could  
16 send. It's one thing to come from an advocacy group  
17 like Dan, but it's another one to come from something  
18 like Department of Commerce. I think that's what Peter  
19 was saying.

20 MR. KAMENSTEIN: And I view it as a very  
21 positive message. Sustainability is a positive issue,  
22 so the message can be positive.

23 CHAIRMAN KELLER: Absolutely. There's a  
24 thought process there. I just wanted to make that  
25 distinction.



COMMENTS FROM THE PUBLIC

CHAIRMAN KELLER: We are running down on our time here. We're going to lose the Secretary pretty soon. But I'd like to be able to ask the public, those in attendance, if there's any interest in making a comment, you're certainly welcome to do so at this time.

Yes, sir, Mr. Frink?

ASSISTANT SECRETARY FRINK: Just to a point that was brought up about manufacturing perception and image, in my mind so many of the issues that have been discussed today, and will be continued to be discussed for here and forever, will be affected positively or negatively until we change the perception of manufacturing at the public level where we're seeing some of the pressure of that from energy now, and movement on energy in terms of exploration, because public pressure has finally made a difference. At the manufacturing level, we know that it's 10 percent plus of the GDP and we know that it employs 14 million people.

Yet, Congress does not fear votes against issues that affect manufacturing. So, so many of the issues like tax cuts, free trade, are politicized

1 because the perception of manufacturing isn't such that  
2 there's a fear factor in terms of how Congress moves  
3 legislation one way or another.

4 And it comes from perception. People still do  
5 not have a full connection that manufacturing is beyond  
6 the smoky, billowing stacks to all levels, from  
7 manufacturing musical instruments to processing food.  
8 Does anybody think of "manufacturer" when they eat a  
9 Corn Flake? That is the degree of misperception that  
10 needs to be corrected.

11 I think that that initiative that is being  
12 talked about, it's a big reason why I'm with the Board  
13 of Trustees of the Manufacturing Institute, is to see  
14 if there's enough will within the manufacturing sector,  
15 associations and otherwise, to really belly up and  
16 realize that unless we unify manufacturing into a voice  
17 that is strong enough to change these perceptions and  
18 move legislation and humanize manufacturing as  
19 agriculture has done so effectively for so many  
20 years -- to say I feel passionate about that is  
21 probably an understatement.

22 CHAIRMAN KELLER: Noted. Thank you very much.

23 Other comments?

24 SECRETARY GUTIERREZ: A couple of thoughts.

25 He mentioned government policy and congressional

1 policy. I cannot remember a time when policy has the  
2 opportunity and the ability to throw things off in a  
3 big way or keep us on track. John mentioned 14 million  
4 employees and the power of letting those 14 million  
5 employees know what's at stake. When we talk about  
6 trade, it is very easy to talk about these things  
7 without connecting the dots.

8 Manufacturing equals trade. The idea of some  
9 of our partners that need to be looked at where we need  
10 to apply countervailing duty or we need to apply  
11 antidumping regulations, those are usually partners  
12 where we don't have free trade agreements. You hear  
13 the knock on free trade agreements as though that's the  
14 excuse, that's the reason, and it's wrong. So, that's  
15 at stake.

16 The more free trade agreements we have, the  
17 more we'll manufacture, the more we'll export, the more  
18 we'll grow jobs. Our biggest manufacturing item in the  
19 country is capital goods. I believe either the second  
20 or third biggest is industrial supplies. Those are all  
21 manufactured goods.

22 Capital is -- by the way, we had an all-time  
23 record in the month of May. These are big manufactured  
24 items, big-ticket items that are manufactured. Well,  
25 but if we don't have free trade agreements, we're going

1 to continue to wrestle with countries with which we  
2 don't have an agreement, like China, where we haven't  
3 established the rules, where we don't have a mechanism  
4 by which to enforce the agreement that is  
5 comprehensive.

6 So it is so dangerous that we stand still on  
7 free trade agreements while the rest of the world is  
8 moving forward. That's one thing. I would hope that  
9 those 14 million employees that John talked about, I  
10 mean, do they know what's at stake and do they know  
11 what the risks are? Taxes are another major policy  
12 issue. Every time we turn around there's a tax  
13 increase in a bill.

14 As John again mentioned, we have a  
15 disadvantage. If companies are thinking about, where  
16 should I invest my money, in Ireland or in the U.S., in  
17 Canada or in the U.S., chances are they're not going to  
18 pick the U.S. because our taxes are a lot higher than  
19 most countries. You mentioned a company in Germany.  
20 We used to compare ourselves with Germany, where they  
21 had a 40-plus percent tax rate. Their tax rates today  
22 are in the 20s. So, it's a huge disadvantage.

23 Then, energy. In a broad sense, energy, from  
24 the standpoint of supply, from the standpoint of  
25 environmental policy, people aren't connecting dots.

1 It's so easy to say, no, we have not built a nuclear  
2 reactor in a long time, we haven't built a refinery in  
3 over 25 years, it takes a decade or so to get a natural  
4 gas terminal to be approved, and we know that we're not  
5 authorizing exploration and drilling. It's easy to  
6 say, well, companies have all these leases.

7 The problem is, they haven't found any oil in  
8 those leases. So, you know, it's been a policy of  
9 saying, no, no, no, and we need to have people have the  
10 guts to say yes, because unless we do we're going to  
11 have a tremendous disadvantage. I mean, there's more  
12 money flowing out of our country than ever before.  
13 It's not because of trade, it's because of energy  
14 costs.

15 Environmental policy is also critical. The  
16 President said, look, we want to have aggressive  
17 targets on CO<sub>2</sub> emissions, but we can't do it  
18 unilaterally. It's ironic that the same people who  
19 want these unilateral climate change targets will be  
20 the same ones that criticize manufacturing moving  
21 overseas.

22 If we have unilateral, aggressive targets to  
23 lower our emissions without taking into account that we  
24 have to include China, India, and other countries,  
25 you're going to see manufacturing going overseas like

1     you've never seen it before. These are all things that  
2     are at stake. I would just hope that, not just you,  
3     but your 14 million employees get in the game and  
4     convey just what's at stake here, because there's an  
5     awful lot at stake.

6             So, Mr. Chairman, thank you. Great meeting.

7             CHAIRMAN KELLER: Thank you very much.

8             MR. DiMICCO: Mr. Secretary, we need you to  
9     get on television and say that very thing. You did a  
10    very good job. The only thing I would add to it is,  
11    there are some elements of trade with China that do  
12    amount to a significant amount of money going offshore.  
13    That's another matter.

14            SECRETARY GUTIERREZ: You know, again, we  
15    don't have a free trade agreement with China. That's  
16    where people -- you know, they confuse free trade  
17    agreements and trade in general, and globalization.  
18    One way to attack that is to have more --

19            CHAIRMAN KELLER: Very good. Thank you. All  
20    right.

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NEXT STEPS

CHAIRMAN KELLER: We're at the point where we need to conclude the meeting, but I would like to suggest that we have next steps. The next steps are that we have established the subcommittees. Kellie and I are committed to making sure that we have this organized well. You have all expressed an interest on one or the other.

If there is a need for changing, we have opportunities for doing that. But let's commit to working on those for the next 60 days or so. We have a potential meeting on September 23rd. That will be something that the executive secretary will be looking at trying to organize, so we'll look at having that meeting on the 23rd, potentially, in Rochester, New York.

So that is generally our next steps, and as a result of that, to be able to come up with some letters of recommendation.

Are all in agreement on that? Do we all feel pretty good about that?

VOICES: Yes.

CHAIRMAN KELLER: All right.

With that, if I could have a motion for

1 adjournment.

2 MR. DiMICCO: One comment.

3 CHAIRMAN KELLER: One comment before  
4 adjournment. Yes, sir?

5 MR. DiMICCO: It's to organization.

6 CHAIRMAN KELLER: Yes?

7 MR. DiMICCO: I would have loved to have been  
8 able to sit on both committees today.

9 CHAIRMAN KELLER: Yes. Yes.

10 MR. DiMICCO: Is there some way that we could  
11 have those sessions so they don't run at the same time?  
12 There's not that many of us. There's only 14.

13 CHAIRMAN KELLER: We'll throw that challenge  
14 to the executive secretary and see if they can handle  
15 it.

16 MR. DiMICCO: But for now I'll give you a  
17 motion.

18 CHAIRMAN KELLER: All right.

19 Motion for adjournment. Is there support?  
20 Any dissention?

21 (No response)

22 CHAIRMAN KELLER: Hearing none, we stand  
23 adjourned. Thank you very much.

24 (Whereupon, at 3:36 p.m. the meeting was  
25 adjourned.)



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C E R T I F I C A T E

This is to certify that the foregoing  
proceedings of a meeting of The Manufacturing Council,  
held on Wednesday, July 23, 2008, were transcribed as  
herein appears, and this is the original transcript  
thereof.

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LISA L. DENNIS

Certified Verbatim Reporter